

INTRODUCTION TO EXECUTIVE DEVELOPMENT
AND
THE CHANGING ROLE OF THE EXECUTIVE

13 September 1954

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Dr. James Creese, President, Drexel Institute of Technology, was born in Leetsdale, Pennsylvania, 19 June 1896. He attended Princeton University, receiving the degree of B. Litt. in 1918 and M.A. in 1920. The degree of LL.D. was conferred upon him at Colby College, 1944, Temple University, 1946, and the University of Pennsylvania, 1947, while the degree of Ph.D. was received at the Hahnemann Medical College in 1946. He was manager of publications and director of students with the American-Scandinavian Foundation, 1919-22, and a general secretary to that organization, 1922-28. From 1928-45, Dr. Creese was vice president and treasurer of Stevens Institute of Technology, Hoboken, N. J. He has been President of Drexel Institute of Technology since 1945. Dr. Creese served as a lieutenant in the Field Artillery, U. S. Army in 1918. He is a trustee to the American-Scandinavian Foundation, the Stevens Institute of Technology and the Drexel Institute of Technology. In addition to his work in the field of college administration, he has interested himself in the extension of university teaching and in the international exchange of students, particularly in scientific and industrial fields. He directed a survey of wartime need for technical training in the New York Area in 1940. Dr. Creese has been a member of the Board of Advisers of the Industrial College of the Armed Forces since 17 February 1950. This is his first lecture at the Industrial College.

INTRODUCTION TO EXECUTIVE DEVELOPMENT

13 September 1954

ADMIRAL HAGUE: This morning we start a unit, a part of the Manpower course, that the faculty has always asked me to introduce. This is probably due to the fact that for three years I was Chief of the Navy's Industrial Relations before I came to the Industrial College.

There is another reason this morning why I will particularly claim the distinction of introducing our speaker. During the course of the year you will hear--as a matter of fact already you have heard--much about the gross national product (GNP), and you are going to hear much more. GNP rides like a motif through the course. How big is it? What can we do to increase it? How must it be divided? In the piping times of peace, how much is necessary for essential needs? How much is necessary for essential military needs? How much is left as butter for the luxuries that we, as Americans, have come to look upon as commonplace, every-day necessities? During times of stress, how much is necessary for bare civilian subsistence needs? How much must we allocate to the civilian population to keep up their morale? How much is then left to meet the pressing military problems facing the Nation? And through it all, there is the spoken and unspoken thought that if only we can increase GNP, our problems are greatly minimized.

You will hear from this platform some instance as to what reserve potential for increasing the GNP we have, how much it might be increased by increasing the working force, how much by increasing the hours of labor--but there is one vast source of potential for increasing GNP that you will hear no estimates on, simply because it cannot be measured; but nevertheless it is very real and possibly it is the one most important source of ability to increase the GNP--that is, increasing the individual productivity by making the individual want to produce.

Now, the purpose of all education is to transmit to the student in a few short hours, or years, the distilled cumulative experience of years and generations. This concentrated unit you are about to embark on this week is no exception.

It happens that perhaps this is the one unit of the curriculum that I know most about, and that from the fact that, as it happens, in my tours of duty almost throughout my entire military career I have been wrestling with this problem in one form or another. But I am very fond of saying that all I have learned about this subject I learned in the

bloody-nose school. That is the school where you blithely proceed, intent on your business, going ahead, hitting the ball, and all of a sudden you run smack dab into a stone wall. You back off--your nose is bloody--you have lost some skin--and you come to the common-sense conclusion that there must be an easier way of doing it.

At MIT I had a Scotch professor who every once in a while would strew a gem in front of us in the form of an epigram. One I remember: "It is well to learn by one's own mistakes; it is better to learn by the mistakes of others."

This week you have an opportunity to learn by the mistakes of others. Each day you will discuss a case. Paraphrasing Dragnet, the cases you will discuss are real. Only the names have been changed to protect the innocent. They're real cases. They're cases taken from real life, very complex. They're not as easy as they appear to be on the surface, and your job during this next week is to evaluate each one of these cases and find out what is wrong--and let me warn you that it may not be too easy--and then to determine a wise course of action to correct the difficulty. Your faculty advisers will participate only to the extent of asking questions intended to stimulate discretion in your thought process. Here again, there are no approved solutions. In any one of these cases I don't believe there's such a thing as a "best" solution. There are better solutions, and I dare say that you are going to discover the better solutions. I also predict that you will discover solutions that your predecessors never thought of.

I would like to invite your attention to the wonderful opportunity that is yours. If you stop to think of it, every one of you has leadership qualities to the superior degree or you would not be here. Now, here's an opportunity to sit down with other leaders to examine very real situations, to combine your leadership thoughts and techniques, and devise better answers.

Each morning you will be addressed by an acknowledged expert from this platform. You will then go to your committee rooms and discuss your cases. You will come back to the auditorium and, through your chairman, will trade your observations under the moderating influence of the speaker of the morning, who will be available to answer questions.

Now, we have, necessarily, not too much time. That is another feature that you will note as the week goes on. Without further ado

I will introduce our first speaker, Dr. Creese, whose subject is, "The Changing Role of the Executive."

We are extremely fortunate in having Dr. Creese, for he has had a ringside seat in noting this changing role of the executive, which, I would say, is only a matter of 15 or 20 years past. He has had a ringside seat in seeing it from his position with the Stevens Institute, and as President of Drexel Institute in Philadelphia.

There is another reason that we are most happy to have Dr. Creese here. He is one of that noble group that helps us out in this college--the Board of Advisers. Dr. Creese, it is a great pleasure to welcome you.

THE CHANGING ROLE OF THE EXECUTIVE

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DR. CREESE: Admiral Hague and gentlemen of the college: We shift now from the matter of gross national product to the more individual and perplexing human aspects of industrial management. As we do, it may be appropriate for me to add a few homely touches to the gracious and friendly introduction which I have just received. Perhaps I should begin by confessing that my own associations with executive responsibility have been, as the Admiral suggested, mostly in education.

Education is an odd business. It is a business in which there are no profits. No one receives dividends. There are no owners in the ordinary sense. A good administrator even acts on the assumption that healthy impecuniosity may be about the best he can accomplish!

There are resemblances between executive work in business and executive work in education. There are great differences too. I remember that one of our deans, in a moment of natural exasperation, remarked that education as a business, if it is a business, is the queerest business in the world. "The customer" he said, "pays for the goods and then refuses to take them."

But, since the business of education is so consistently a business involving human beings--our raw material is the human being, and our product is the human being--perhaps executive work in education gives one a little right to talk about the human aspects of executive responsibility in industry.

The whole dilemma of personnel management was neatly summed up for me one time by a consultant who always has to remain nameless. I am her consultant at home. As we were driving to Drexel Institute one day, she had an idea for something new, something that might be done immediately and might be of great help; and she described her idea with enthusiasm. When she was through I said, "No, it can't be done that way." She asked, "Why not?" I said, "That crosses up the lines. This matter is a responsibility of Dean A. Professor X, also, would be upset. It has to be taken to the Curriculum Committee. And it's easy to understand that the Superintendent of Buildings would be annoyed." As I stepped out of the car, she said, "Well, all I have to say is that there is just too much psychology in the world."

That is the age-old, baffling problem of the executive, of any man who wants to get other people to do work--too much psychology. Universities, corporations, and companies, even armies and navies, are composed exclusively of people, each with somewhat different objectives, with different hopes, and with different standards. Oddities of character and personal idiosyncracies make us difficult to deal with and to manage.

Likewise troublesome are habits of thought and economic views that were fixed long ago by our history and by conditions that no longer prevail.

Our national economy and our Federal Government were founded by people who had no other thought than that the wealth and the power of this country would be derived entirely from the productivity of the land. They were no longer looking for the wealth of the Incas. They had come upon a wilderness, a rich wilderness, in which there was land in abundance for everybody. Any man with ingenuity and aggressiveness could hope to cut out a place for himself and trust that one day he might own and run his own farm, shop, or mill.

The wealth of the country underground had not been discovered. Oil, ore, and coal were unexplored resources. It is said of General Washington, when word came to him of silver discovered in the hills of Virginia, that he frowned and remarked that he hoped there would be in this country "no other wealth than what might be turned up by the plow."

In Jefferson's day there were significant and powerful shipping interests, and some few manufacturing interests; but he was one who distrusted very strongly the growth of industry and manufacturing. He feared that, as in Europe, there would be in this country in time great centers of population, crowded, where there would be a deterioration of the physical and the political character of the people.

In his correspondence with Du Pont, the French economist, Jefferson swapped notes on what might be done to establish educational institutions in the two countries, affecting all the people of an entire nation. It did not occur to either of them that the very thing that Jefferson was almost distrustful of, industrial organization, might some day produce such surpluses of time and of money that a country's entire population of school age could be taken away from the mills and put into the schools.

One historian, Charles Beard, spoke of the American Civil War as the second American Revolution, because it was from that period that

he dated the rise of an American industrialism which was not only to change the economic structure of the country and its political authorities but also to make a shift of population from agricultural to industrial pursuits.

Before and during the First World War, we in this country thought of ourselves as the granary of the world. Not until the Second World War did we use such a phrase as the arsenal of democracy. Only in the past decade have we begun to consider our foreign policy in such a way as to capitalize the one thing that we have above others, in the view of the rest of the world--knowledge of technology and industrial power.

The whole thing has happened quite quickly. We forget that science, as we know it, is only about a century old, and that industrial science and the arts of management are far younger than that--hardly 50 years old. If you take a look at the great corporations of this country--RCA, Philco, General Motors, and U. S. Steel--you will find that very few are more than 50 years old; and those few who are more than 50 years old are young institutions in their present structure. They have been so completely rebuilt in every respect--in products, in methods, in personnel, in management, in corporate structure, in finance--that they are scarcely recognizable as the institutions and the companies that existed more than 50 years ago.

When changes so drastic occur so suddenly in technical structure, in the supply of materials, tools, instruments, and methods, then the human role changes--the role of the executive and the role of every man associated with an industrial operation. These companies and great corporations are all young, either actually young or reconstructed and different in character from what they were 25 or 50 years ago. Under those conditions, therefore, it is hardly to be wondered that the ordinary job of industry, in a different environment and in a different context from what it had been in the past, has become a different job.

Not long ago the man who owned a business ran it. He had made it and he gave it his name--Carnegie, Ford, Edison, Firestone, or Westinghouse. We still remember these individuals quite clearly. They were men of marked personality; they knew what they were doing. Enterprise was strictly private. It was the owner's option to say what the company policies would be, who would work on what job, under what conditions of employment, for what hours, and at what pay. His role of decision and authority was accepted by the men he employed and by society generally.

Then after a little while, the old man retired. Maybe age caught up with him, or a desire for travel; and his successor was, nine times out of ten, his lawyer.

You may remember Mr. Dooley's remark that lawyers were handy in corporate organizations. Corporate organizations were up against Government; combines had become unpopular; trusts were under suspicion; and corporate lawyers were handy, because corporate lawyers were of a different cut from laymen. What might look like a stone wall to a layman, said Mr. Dooley, was a triumphal arch to a corporation lawyer.

After the lawyer probably came the banker, because the new combines required much greater financial backing and a much greater distribution of ownership.

Then, after the banker came the professional executive. The real front office had moved from the plant. It had moved downtown. It had gone perhaps to Wall Street; and the man on the job, the man who actually ran the business, was now a professional executive. The new executives were hired men.

They continue to run business, and by now they constitute in each corporation a very potent executive staff of research and development engineers, technologists, production engineers, statisticians, comptrollers, market experts, and personnel directors. They are selected, they are trained, and they are employed as professional executives.

No one can say he owns the company. Of course, the stockholders do, but they are far away and are impossible to identify. Who represents them and is authorized to act for the owners? Ask Mr. Young and Mr. White, or Mr. Sewall Avery and Mr. Wolfson. After a battle for proxies is over, the hired men--the professional executives, will still run the plant and run the business.

It is, I think, a good omen, a good omen for industry itself, and a good omen for our industrial economy that the management of industry has become a profession. We have come to the time now when the problems of industry require a new kind of objective consideration and something more than the old-style individual, and often intuitive decision.

Our highly industrialized country has met the challenge of our material needs quite successfully. Nobody wants to return to the old days and to the preindustrial culture in which the great mass of humanity worked exceedingly hard, got very little, and died very young.

The most serious problems that remain to be solved are on the whole of a political kind. Some pertain to Government directly; but the industrial executive has some serious problems also of a political kind but in local, smaller dimensions, within his own plant. They concern themselves with such human problems as the association of men within industry; the associations of executives with executives, with subexecutives, with middle executives, and with the entire, great personnel of a company whose public duty it is to produce goods and services--and to make a profit. On these problems--social, economic, and political, the attention of industrial executives, of industries, and of the public generally, is now being more and more closely focused.

We have, unfortunately, a tendency to think in stereotypes of "big business," "big government," and "big labor." When the cartoonist makes his sketches, he can give us with a few lines the character of every party to a negotiation. The idea conveyed is that here on one side of a table is obstinate, aggressive, and militant labor; and on the other side of the table is equally obstinate, equally aggressive, and equally militant management. As a matter of fact, they on both sides are often quite sensible men who conform to the law that governs in their cases and are knowledgeable as to the conditions and requirements of the two sides. Not uncommonly, on both sides of the table, they do a conscientious job.

One cannot expect sweetness and light all the time under the circumstances of a labor negotiation. In my own experience in negotiating contracts I know how easy it is to drift away from the "enlightened" position into one where you use precisely the same language in precisely the same way that you have condemned in the other fellow. Nevertheless, as men are particularly assigned to these duties of compromise and negotiation in industry, as departments and individuals are trained for them, as they spend their time on them day after day, month after month, and year after year, a new point of view comes in, a point of view which I think is essentially professional. It develops on both sides.

Labor has done rather better in developing specialized professional negotiators than industry has. The man who negotiates for labor shifts from one situation to the next and from one company to the next, and

he is constantly thinking in the terms of his own objective in labor negotiations. The industrialist in the past has dropped in more casually.

In this country the public instruments for control over labor conditions which exist in some other countries have not been completely evolved. The Swedes, for instance, have distinct labor laws and distinct labor courts which are quite separate from ordinary courts of law. They handle labor disputes and collective bargaining on a grand scale for the Nation, and make sure that the bargain made is observed by both parties. They employ penalties if the observance on both sides is not complete and satisfactory. We may not come to that in this country. I doubt if we can. They have the advantage of a little country, compact and homogeneous, where all people have fairly uniform attitudes toward work. Ours is a great diverse country. What applies in one region does not satisfactorily apply in another. What applies in one company is not necessarily useful in others. Our labor laws are mostly for emergency conditions, not for ordinary operation.

Sweden's system may not be applicable here, but it is well worth our considering. We can hope that in time we may have the background, the body of precedents, and a knowledge of previous experience which will enable us also to handle our much more complex problems of labor-industry relationships under some kind of a legal code.

A good law is not just a statute arbitrarily written. It requires to be founded on long experience, years of practice, and piles of precedent. We have not yet had time for that in our modern, highly industrialized economy. We have not yet had time to realize how changes in corporate organization, in methods of work, and in available powers, tools, and technologies, have altered national style of Government, our property rights, and our private lives.

We do not run into the law very often. We pay our income taxes as individuals and we get a ticket for a traffic violation, but we run into the regulations of the company every day. We think about them and carry them home to talk about at night. If we have any just sense of our rights as individuals, it has rather to be realized in our daily duties on the job than from what we read about or hear about, or sometimes think about in the affairs of Government. Some 50 percent, or more of the people in this country are on the payrolls of corporations. It is in their work with the corporations, rather than in their contact with National Government, that they will try out and confirm in the long run the principles of democracy.

When a young man in my college graduates, he interviews five or six companies' representatives--recruiters. He picks from among those the one company offering him the best opportunities. After a year or two, that boy comes back. He drops into the office, I say, "Where are you now?" Two times out of three he will say, "I am with Du Pont," or "I am with General Motors." I am very conscious of the phrasing. I like it. It means the young man has a sense of identification with that company. It is that sense of identification with the company that each person in executive responsibility wishes himself and his men to have. It is that sense of identification which each person, down to the latest employee, desires to have.

"Fortune" magazine in January of this year published an article reporting on interviews with 52 company presidents, 23 vice presidents, and 53 middle management men. The reporter's question was, "Would you be working harder if your taxes were less? Has the reduction in your net income caused any reduction in your devotion to your work?" The answer was, "No. How could we work any harder?" The incentive of pay is not the whole story. What is it that drives a man, whether he is in an executive position or in another place in the company? This reporter poses an answer which I think is good. His list of reasons why men put their best into their work is applicable all the way down the line: first, a desire for self-expression; second, a sense of personal contribution to the success of the company; third, enjoyment of the right responsibility, the responsibility that suits each person's gifts; fourth, a desire for prestige among fellow officers and workers; fifth, security in the job. Not until the fifth item is security in the job, against any competition that may turn up.

The front office of industry in recent years has been increasingly aware of the need to consider the strictly human problems of management: the motivations of people, their desires, ambitions, and psychological twists. If you pick up a company chart--I have one here--it is full of departments and officers and special duties which were not there even 10 years ago. These are the departments concerned with internal public relations as well as with external public relations. These are departments concerned with the internal administration of justice as well as with the legal relationships the company must enter into.

The chief executive himself is charged with a responsibility for public relations within his own company--in any company manual which you may pick up. No doubt you have seen many of those company manuals. They are very interesting reading. They tell you how

the board of directors has defined the duties of each officer all down the long executive line. That company directive enables a company to move with smoothness of organization all through the company. Duties not previously written into the manual are there now.

Here is one. The president of this company is clearly alerted to his formal responsibility for the conduct of "industrial relations." "He shall be alert," we read, "to insure equitable administration of wage and salary policies and structures, employee benefit plans, and personnel rating programs and to protect the interests of employees as individuals."

The executive's new role in human relations can hardly be more explicit than it is in the corporate manual which I shall now quote: "The President is appointed by and is responsible to the Board of Directors." Then in a preamble to a statement in detail of his duties, the manual defines his basic function: "to provide proper vision and leadership in directing the human capital and physical resources of the company. . . ."

Thereafter comes a catalog of the president's duties in this order:

"(1) to formulate and submit to the Board of Directors the broad plans and objectives for the company's operation; (2) to select principal functional heads and delegate the authority necessary for them to fulfill their defined responsibilities; (3) to keep the executives informed on the decisions of the Board; (4) to promote a spirit of cooperation and teamwork among the executives (That is sometimes pretty difficult!); and (5) to develop long-range plans for the training of executive leadership."

This is not just a literary document. This is a list of instructions given to a company president by his board of directors. I think you would not have found such a statement in the manual of any company 30, or even, perhaps, 20 years ago.

Now, on this business of training executives! The larger industries are very much more aware of the shortage of executives and the lack of available executive personnel than they were a little while ago. Almost every large company has now set up some system for the selection and training of executives. Those systems vary all the way from the old-fashioned and sometimes casual rating and rerating of individuals for their executive capacity to intensively organized, company-wide programs of training and education.

In almost every instance, the company's own program of education for executives includes some off-the-premises instruction, not always strictly within the field of the company's own business operation. Such executive schools, for large groups, or for relatively small groups, are not necessarily conducted in the plant. They may be held at a distance. They may be conducted by a trade association, a professional society, the AMA, or a university. Some are short courses of a week or two; others run for a term, or a quarter, or a year at industry's expense, both in the time of the men and for the cost of operating the course.

One I am fairly close to, in a neighboring university, brings to the campus executives from all the regional and district offices of the company, men 30 to 40 years of age who hold responsible executive positions. They come for a period of weeks. They attend an organized course of lectures on history, English literature, philosophy, and the fine arts. To appraise the results of such a program is very difficult. Whether one stimulating experience adds to the effectiveness of an executive or whether his future effectiveness must be traced back to the skill with which he was originally picked and appointed is hard to determine.

The one instance I have cited is certainly not typical. Much more common is a curriculum where lectures, seminars, and panel discussions focus directly on administrative problems.

All this is experimental. So are many of the techniques used. Perhaps the most common of the newer techniques is that of the case method. Industry itself and also the universities are turning more and more to the use of the case method. Precedents and examples for the use of the case method are to be found in the colleges of law and also in the schools of medicine. In recent years at some few colleges, particularly the Harvard School of Business Administration, the case method has proved itself useful in presenting the human problems and the technical problems of industrial administration.

The case method is frustrating at times. One who has been brought up on the conventional fare of authoritative lectures and textbooks may find this method inconvenient and confusing at first. The truth is not quite so easily stated as it seems to be in a good textbook. But the knack of understanding what the aspects of a problem are, what its complexities are, and what its human factors are, may be developed by a method

which brings into the classroom or seminar a wanted sense of the actual conditions under which men work and from which friction arises.

Thoughtful and critical appraisal of case after case always under the scrutiny of fellow students and advisers, is a good experience in discovering the complexities and the miseries that lie behind a personnel problem.

Industry is well aware now that its great problems of the future are not to be exclusively problems of technique, methods, tools, corporate organization, or finance. Industry stands in the strategic place in our economy. The industrial executive, from that strategic place, affects the thinking of people generally. He has not only a duty to increase the product of his company and the gross product of the Nation, but also a great chance to lead in citizenship.

In this place and in this company, one need not stress the reliance we now have on the industrial strength of this country, not for military power only but for domestic prosperity and for security. Our reliance upon industrial leadership is daily greater in foreign affairs as we are confronted by the combined powers of Russia and China.

From the Elbe to the China Sea is a new growth of industrialism, a very great growth. Russia today has what Russia previously lacked-- a great number of young people well trained in technology. Russia, therefore, may have in a short time the industrial potential that we have.

There is one great difference between ourselves, as an industrialized nation, and Russia or China. We have as they do not have, a sense of the intimate association and partnership of individuals in the enterprises of government and in the enterprises of business. Here we place the highest value on the individual. The new role of the industrial executive in developing the "human capital" of a company, in "promoting a spirit of cooperation and teamwork," and in "protecting the interests of employees as individuals," therefore, is in keeping with the historic ideals and purposes of the Nation.

(21 Jan 1955--750)S/sgh